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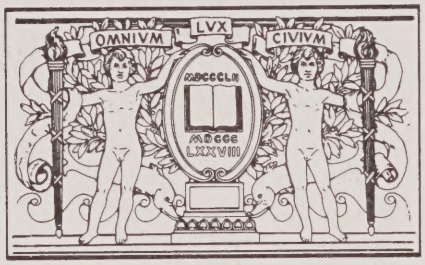

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JOINT REHABILITATION PROJECTS

A Comparison Between Two Joint Rehabilitation Projects Which Have Been Set Up In The Absence Of One Sole Public Funding Source

The Rehabilitation Of The Granite Properties BHP II In The City Of Boston

The Rehabilitation Of The Zeedijk In The City Of Amsterdam

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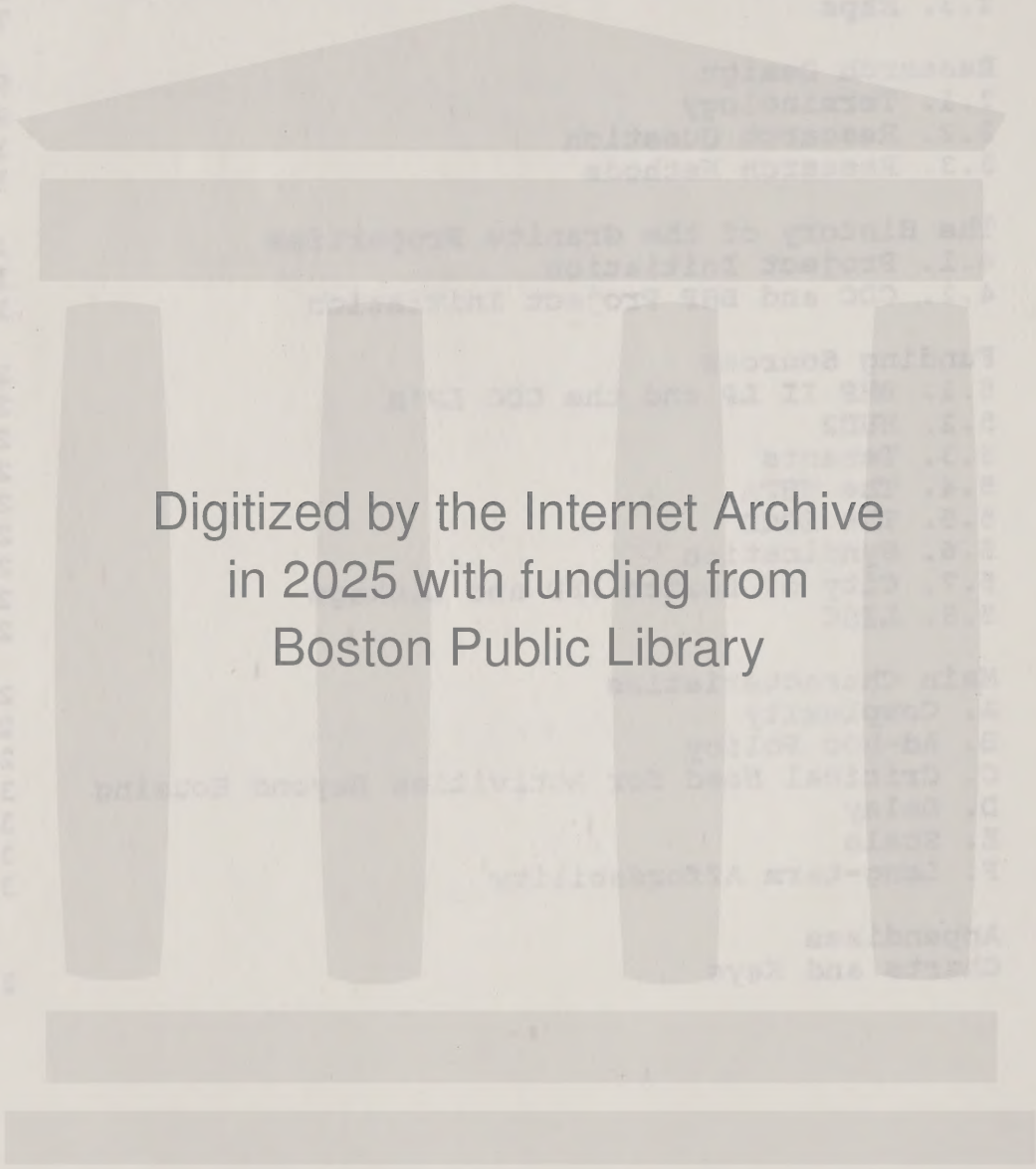
Boston, December 1989



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1. INTRODUCTION

The two research areas subject to this comparative case-study, the Granite Area in the Roxbury- and North Dorchester neighborhoods of Boston and the Zeedijk Area in the innercity of Amsterdam have something in common. On the one hand these areas have to cope with a physically deteriorated housing stock which is very much related to a concentration of drugs and crime problems in these localities, while on the other hand no sole public funding source is available for a rehabilitation of this housing stock.
In response to this situation joint rehabilitation projects have been set up, for which both public and private sources have been pulled together.

The two research areas however differ in mainly three ways.
The first difference is the main concern in regard to the deterioration before the projects were set up: in the Granite area the main concern was the risk of loss of a substantial number of affordable units, which was part of a broader housing problem, whereas in the Zeedijk area the main concern was the unsafety of the area, that affected the innercity as a whole. Although unsafety is definitaly an issue in the Granite area and affordability is definitaly an issue in the Zeedijk area, these are not the main concerns that lead to project initiation.
Second the reason why there is no sole public funding source available is distinct: in the US federal housing programs have severely been cut during the Reagan administration. As a result the cities and states have to rely more on own sources of income and on private sources as well. This is a general trend, which is not specific for the Granite area. In the Netherlands the central government, while facing budget deficits, is cutting on urban renewal expenses, though the urban renewal program still has a high priority. Under certain conditions however a city cannot make use of the UR-program, which was the case in the Zeedijk area before project initiation. Thus the absence of a sole public funding source in the Zeedijk area is specific to this area and not a general trend. It might become a general trend if the decentralization and privatization efforts of the central government are to be continued.
The third main difference is the way the joint rehabilitation projects have been set up, in terms of financing and in terms of approach to housing rehabilitation and helping to solve related problems as well.

In this draft report the main focus is upon the financing of the two rehabilitation projects. In the final report the project approach and the impact of the projects will be discussed as well. This final report will be my thesis for the drs. degree in urban geography, which I study at the University of Amsterdam. Through Interfuture, an American organization that finances intercultural studies for the future, and through the University

of Amsterdam as well, I have been able to stay in Boston from september till december 1989 to conduct the US-part of my study, for which I decided to do a case-study on the Granite Properties BHP II.
I want to thank all the persons, who are in one way or the other involved in the rehabilitation of the Granite Properties and who shared their information and their_ideas with me during the interviews I had with them.
In addition Alex Ganz and his staff at the Boston Redevelopment Authority's Department of Policy Development and Research and Bernard Frieden and Philip Clay, professors at MIT, Department of Urban Studies and Planning, deserve special acknowledgement for providing me with a place to do my work, for giving me advice in regard to my research and for helping me to understand the broader framework my case-study is only part of.

2. RESEARCH AREAS

2.1. The Granite Area

The area where the Granite Properties BHP II project is undertaken will be called the Granite area. The Granite properties originally comprise 2,340 multi-family units located on scattered sites throughout the Roxbury and North-Dorchester neighborhoods of Boston. The Granite Properties BHP II is the name of the second program of the Boston Housing Partnership (BHP), in which 7 different Community Development Corporations rehabilitate an amount of 938 affordable units altogether in conjuction with the BHP. This case-study only covers the Granite Properties BHP II project.
The majority of the Granite Properties BHP II is located in planning district #10: Roxbury, a minority is located in planning district #11: North Dorchester. Since most of the Granite Properties BHP II are located in planning district #10, the main characteristics of Roxbury will be used to describe the Granite area and statistics that will be used will refer to planning district #10.

1. History:
Originally Roxbury and Dorchester were seperate towns which were founded in respectively 1639 and 1630. In 1868 and 1869 these towns were annexed to Boston.

2. Location:
Roxbury and North Dorchester are located in the geographical center of Boston and are usually called innercity neighborhoods. In terms of relative location the areas are less central. Since the relocation of the MBTA orange line in 19__ for a large part of Roxbury's population there is a less direct access to Downtown Boston.

3. Land use:
38% of the land in Roxbury is used for residential purposes, only 2% for industrial use (light manufacturing), 9% commercial use. 39% of the land is vacant or is used by a public building an 12% is private vacant land. Outside of the Dudley street area there is a scarcity of retail and service stores.

4. Housing:
The housing stock in Roxbury, comprising 24,250 dwelling units altogether, is very diversified:
- single family homes, many of which have been built as country estates and summer homes by wealthy Bostonians during the early developments around 1800;
- triple deckers, which represent the second phase of development, which was a more moderately priced housing development;
- multi-family units which have mainly been built around the turn

of the century. To this category belong the Granite Properties, which oftenly form corners and comprise major sections of streets as well.
In terms of tenure about 18% of the housing stock is owner-occupied, another 40% is private rental housing, of which about half is in 1-4 family structures and the other half is in 5 or more family structures. And finally about 40% of the housing stock in Roxbury is public housing or publicly assisted housing, of which public housing is only 16%.
Of any Boston neighborhood Roxbury has the highest percentage of public or assisted housing units (41% vs 17% for Boston as a whole) as well as the highest percentage of housing in poor condition. Beside there are many vacant lots in Roxbury as result of an Urban Renewal program that has never been completed (?). However from 1980 to 1985 there are changes in Roxbury's housing stock: the housing stock has increased, vacancies declined and from 1974-84 housing conditions improved (from 47% classified as in good or very good condition in 1974 to 84% in 1984).
The median monthly rent in Roxbury of $330 is below the city's average of $400, as is the 1-3 family property value ($72,000 in Roxbury vs. $115,000 citywide).

5. Population:
Roxbury has been populated by a succession of ethnic and racial groups over the last century. Originally being a white, Protestant suburb, Roxbury's population gradually changed to Irish Catholic, then Jewish, and finally black. In 1980 Roxbury was predominantly black, containing one-third of Boston's and one-quarter of the SMSA's black population. While Roxbury continues to be a primarily black area, recently Hispanics, West-Indian and Cape-Verdian households have been increasing as a percentage of its population as well as some black and white professionals.
From 1950 to 1980 Roxbury lost over 63,000 in population, but regained some population in the 1980s. In 1985 the population size was 58,475 with an average of 2.8 persons per household. In terms of household composition single-parent families are overrepresented in Roxbury: in 1985 29% in comparison to 16% citywide. A great number of children, ages 0 to 14 (in 1985 23% of Roxbury's household population in comparison to 17% citywide), makes Roxbury one of Boston's primary child-raising neighborhoods.
Despite an increase in median family income by 42% from 1979 to 1984 in comparison to 32% for Boston as a whole, in 1984 income levels were only 72% of that of the city as a whole. In 1984 the median household income in Roxbury was $13,000 in comparison to $19,250 citywide.
Labor force participation in Roxbury wa below the city norm (61% vs. 66%) and the 14% unemployment rate was more than double the city's average (6%).

2.2. Selection of the cases

The two cases have been selected on the ground of the following criteria:

1. the neighborhoods used to have to cope with a deteriorated housing stock, which is related to drugs- and crime problems;
2. no sole public funding source was available to rehabilitate the housing;
3. joint projects have been set up in order to rehabilitate the housing;
4. the joint projects are well underway (project initiation started 1983 in the Zeedijk area and 1984 for the Granite Properties).

While the two research areas are similar in regard to above criteria, some important distinctions have to be mentioned:

1. scale:
   not only the scale of the research area differs, the Zeedijk being only one street, comprising about 400 dwelling units, while Roxbury has a population size of almost 60,000 and comprises 24,250 dwelling units. But also the scale of the buildings under rehabilitation differs: in the Zeedijk area all of the buildings are three-storeyed ones, which comprise three dwelling units each, while the Granite buildings comprise of 3 to 43 units each;
2. location:
   the Zeedijk is situated in the city centre, is part of the downtown area, whereas the Granite area is more an area on itself and farther away from Downtown;
3. severity of the problems:
   the problems in the Granite area are obviously much more severe than they are in the Zeedijk area:
   - housing deterioration occurs on a much larger scale;
   - since in 1983/1984 crack came to the neighborhood, the drugproblem has gotten worse, while in the Zeedijk area heroin is still the main drugs;
   - in both neighborhoods crime is very much related to drugs; however an increasing number of armed assaults and homocides in the Granite area, which is causing a crisissituation, is another category than the gatherings, pick-pocketing, robbery, which are occuring in the Zeedijk area;
   - the Granite area experiences a much broader concentration of problems: issues of poverty, racial issues, single parenting and teenager-parents, drop-outs, lack of social services etc. are very much related to the housing- and drugs/crime situation;
   - The Zeedijk has another difficulty, which is that the attraction of new shopkeepers for the now vacant commercial spaces is of critical importance;
4. main concern that leads to project initiation:
   in the Zeedijk area residents, shopkeepers and the communitycentre undertook actions, because they were concerned about the safety and the livability of the area. The city of

Amsterdam responed to the community actions by setting up a joint project together with 6 different banks, because the city was concerned about the safety and the image of the innercity as a whole. Once a project was initiated the affordability of the housing units became a secondary concern for the residents.
In the Granite area a broad coalition was concerned about the affordability of the housing and wanted to prevent displacement of a large group of households. The actual project initiation originated from the non-profit sector, but with close relationships with both public and private sector entities. Once a project was initiated the safety and the livability of the area became a very important issue;

5. absence of one sole public funding source:
the reason why a sole public funding source is not available differs. In the Zeedijk area the city lacked the judicial means: there was no destination plan, which is needed to draw an Urban Renewal-plan, which in its turn is needed in order to receive UR-funds. The city did not want to wait 5 years before she would have a destination plan. And in addition she felt that setting up a joint project together with banks would financially be advantageous and would provide the NV (the joint developer) with expertise the city itself did not have. The Granite area has to cope with federal budget cuts like any other part of the city, the lack of financial means is a general problem;
6. joint projects:
the two joint projects have been set up in different ways in terms of financing, actors involved, approaches etc. These subjects will be discussed in this draft paper and more in-depth in the final report.

2.3. The Granite Area

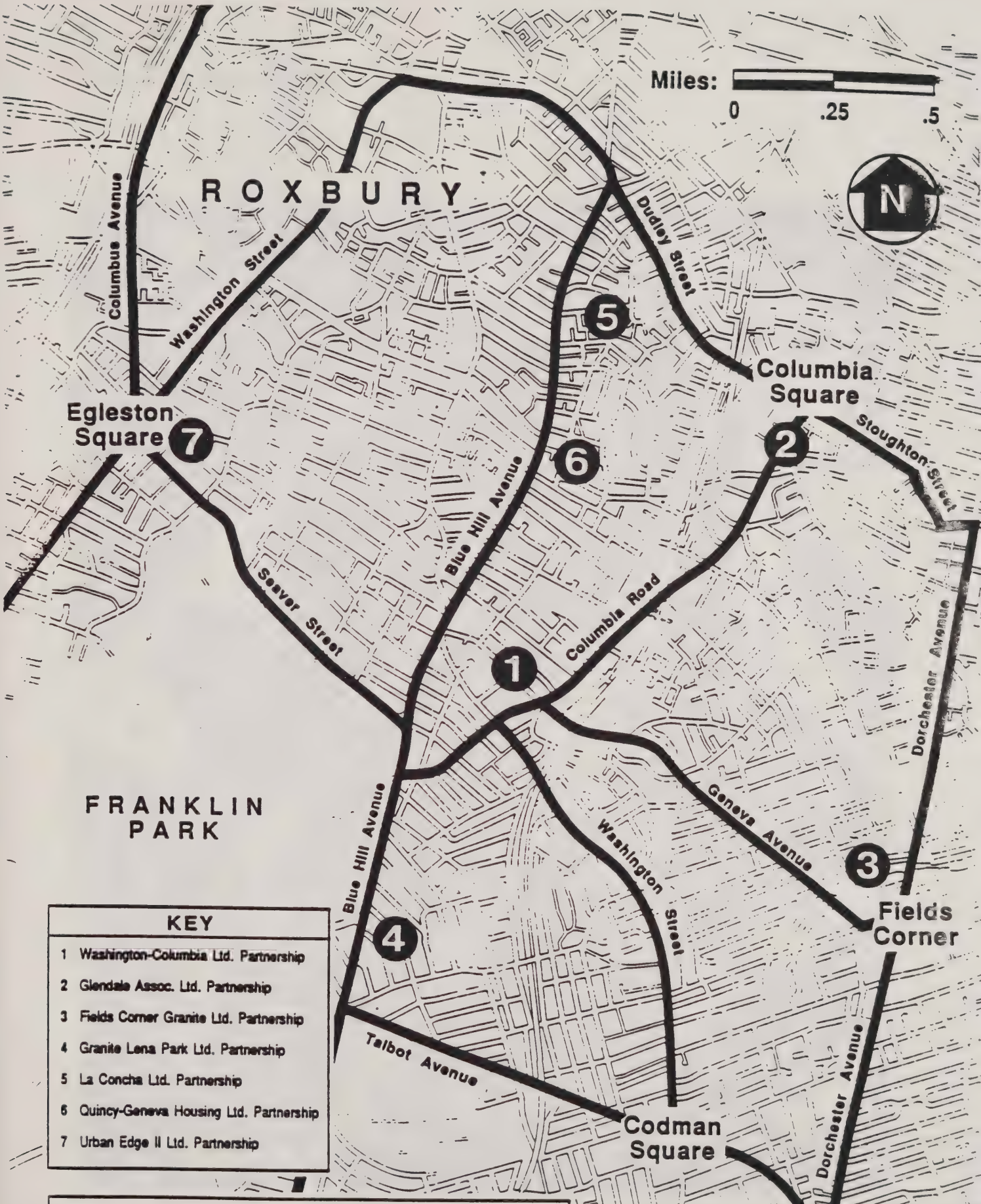


Figure 2: BHP II Site Area

2.3. The Zeedijk Area

3. RESEARCH DESIGN

3.1. Terminology

In this section the main terms that will be used in this paper will be defined.

Joint project

This term will refer to a co-operation of public and private sector entities (both for-profit and non-profit if present), which is at least being formalized in one or more agreements that specify the particular tasks, responsibilities and/or liabilities of the different participating actors.

Joint venture

A joint venture is a more formalized form of co-operation, in which public and private sector entities (both for-profit and non-profit if present) unite their efforts by way of setting up a joint body, which is a legal entity.

The term public-private-partnership will not be used in this paper. In the first place because it has become a container term with many different meanings, which are different in the US and in the Netherlands. And second because it is confusing to use the term public-private-partnership together with housing partnerships and limited partnerships. The term partnerships will only be used in the latter two meanings.

Actors

All the different parties which are involved in the joint projects will be called an actor, irrespective of the nature of their involvement. The different actors can be classified in 6 main categories:

1. public sector and quasi-public sector;
2. private for-profit sector;
3. private non-profit sector;
4. tenants;
5. shopkeepers (if present);
6. police and security force (if present).

Affordable housing/Low-rent housing

In the US the term affordable housing refers to housing which costs do not exceed 30% of the income of low- and moderate income households (being respectively 50% and 80% of median income in the area).

For the Dutch case-study the term low-rent housing will refer to housing which rents are within the limit of reasonability, as has been specified in national rent regulation legislation. Rents have to be within this limit in order to make the low-income households, which are living in the units eligible for rentsubsidies.

Zoning

A land-use regulation system, within which zones are identified as having some preferred plaaning purpose (land-use type and standards of the height, plan, size and density of urban buildings).

Neighborhood rehabilitation or revitalization

A process consisting of either demolition and new construction or

renovation of the existing housing stock, often accompanied by improvement of the housing environment.

Gentrification

A filtering-up process by which declined neighborhoods, most oftenly innercity neighborhoods, are taken over by more affluent groups of the population.

3.2 Research Question

In the original research proposal I assumed that both in the US and in the Netherlands joint projects would be financed by only one source of private funds in addition to public subsidies. I then used the term 'construction' to describe the way in which the public sector leverages funds from the private sector._In that proposal a 'construction' could be a public-private-partnership or linkage.
This assumption might have been correct in the Netherlands, it was not in the US and therefore I had to alter my research question.

The three main research questions are the following:

1. In what way have different public and private sources been put together?

2. What approach do the different actors have towards the housing renovation and to what extent do they approach related issues that go beyond housing as well?

3. To what extent do the projects meet the initial project goals?

Ad.1.
After a long period of disinvestment and deterioration, the two areas face a gap: the private owners will not or cannot provide the financing in order to rehabilitate the buildings and the public sector does not have enough resources to do it on her own. The first research question will give insight in the way that gap has been filled in the two cases:
- what actor is taking the lead in financial packaging;
- and what kind of contributions do both public and private entities make and what kind of policies, motives, incentives, mechanisms are behind it.

Ad.2.
Because decentralization and privatization of central governments cause a shift of tasks and responsibilities from central government to local governments and from governments in general to the private sector, the division of tasks changes. Due to the conditions under which low-rent housing in troubled neighborhoods is being financed, many actors are involved. The actors have changed in comparison to traditional UR-projects and it is interesting to see how within this new composition of actors the tasks are being divided. Since the actors have to operate in very troubled neighborhoods, which makes the projects risky, it is interesting to see how the different actors approach the housing renovation itself as well as related issues that go beyond housing.

Ad.3.
The third research question serves more as an evaluation. What do the different actors actually accomplish? Do the financial package and the approaches, for which extensive efforts are being made, finally pay off?

3.3. Research Methods

1. Documentary analysis: documents, reports, statistics, newspapers, minutes of meetings etc.
2. Interviews with keypersons:

a. public sector officials and quasi-public sector officials;
b. for-profit private sector;
c. non-profit private sector;
d. tenants and tenant organizations;
e. shopkeepers (if present);
f. police and security force (if present).

3. Observation of the neighborhoods;
4. Observation of meetings;
(5. Videotapes MHFA.)

4. HISTORY OF THE GRANITE PROPERTIES

In the late 1960s and early 1970s the Granite Properties have been substantially rehabilitated by the Granite Companies in six separate projects, for which subsidies have been allocated on the ground of the 221d3 and 236 programs. The six projects were called: Columbia Apartments, Elm Hill Apartments, Franklin Hill Apartments, Grove Hall Apartments, Washington Apartments and Wayne Apartments.

When the owner of at least 1,975 of the 2,340 units altogether defaulted on the mortgages, the banks, who held the mortgages, assigned them to HUD. The banks, the mortgagees are allowed to do this under the HUD-insurance program. HUD then in 1982 became the mortgagee-in-possession (MIP), which means that HUD had to pay off the mortgages and then held the mortgages herself. According to a spokesman from HUD it was the owners' initiative to assign the mortgages to HUD: he permitted HUD to go into the projects and take over control.

When HUD became the MIP most of the buildings were in terrible condition: roofs were leaking thus causing a lot of water damage, there were plumbing problems, heating systems did not work, locks on the doors in the hallway were broken. According to a spokesperson of HUD they had never confronted this before; the deterioration of the Granite Properties had taken the worst possible course.

In 1983 Housing Innovations, Inc., who negotiated with HUD - prior to the foreclosure - to buy all the Granite Properties by way of Transfer of Physical Assets (TPA), estimated the average repair cost for an apartment at $23,000. Comparatively the per unit repair costs for recently sold or advertised HUD multi-family unit projects in Boston averaged $2,286. HUD rejected the private proposal for TPA and through 1984 foreclosed on all the properties except from Wayne apartments (365 units), which they sold by way of TPA to another owner.

The buildings then were owned by HUD. By then 9 buildings were abandoned, mostly fire-damaged buildings, which were boarded up and, according to HUD, the occupied units had a 12% vacancy rate. Of the occupied units many were overcrowded and others were occupied by numerous squatters, of whom many were involved in illegal activities.

After the foreclosure, which was the largest single foreclosure of HUD-distressed properties in the US, HUD planned to dispose of the properties through a competitive bid process. This has been the policy of HUD since 1981 when Reagan took office and pursued strong privatization goals. For the Granite Properties HUD wanted to dispose of the properties in a short time-frame. HUD was seeking the highest bidder who would bring the buildings back to code and who would provide a letter-of-credit that would be sufficient to cover all the costs involved.

For disposition purposes HUD divided the properties into 11 separate disposition packages ranging from 110 to 261 units each. HUD felt that the long-term viability of these scattered site

projects would be greatly enhanced by dividing the properties into smaller, manageable packages.
Before HUD could start the bid process, however, it first had to do what they call 'emergency repair' in order to get the buildings back in habitable condition. In fact they were sued to do this by ACORN, who had organized the Granite Buildings' Tenant Union, together with the Greater Boston Legal Services (GBLS). The total costs of these repairs amount to about $8 million. Because of many political efforts of different groups, which will be described in the next section, HUD however had to change its original plan and go into a negotiated sale with non-profits for a part of the Granite Properties. As a result HUD could not dispose of the properties in the short time-frame of one year, as they originally had planned to do, but instead had to do more repairs herself. HUD then replaced the roofs, replaced the boilers, began replacing street level doors and locks, which altogether added on to another $10 to $12 million in repair costs.

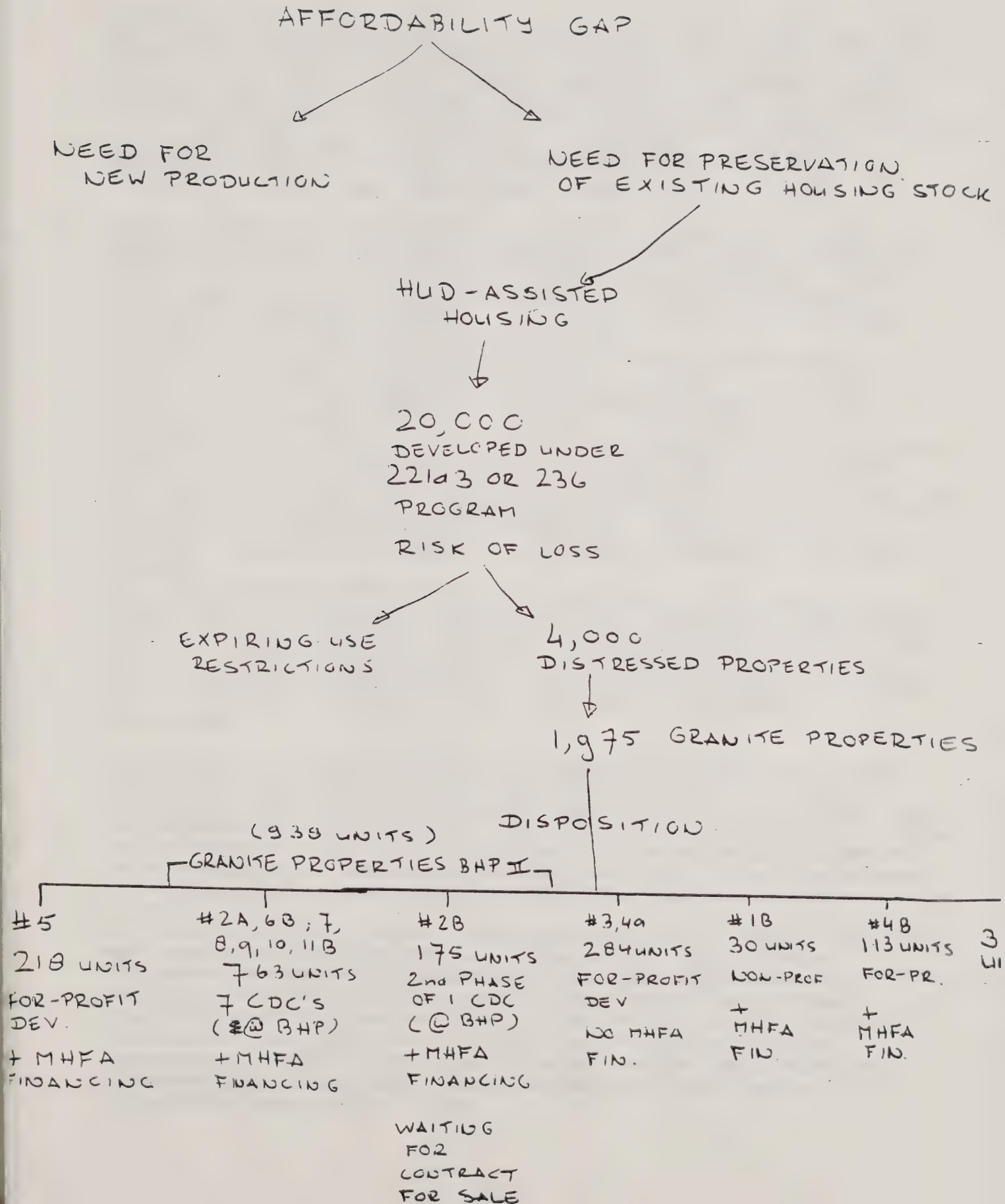
4.1. Project Initiation

The initiation of the Granite Properties BHP II project starts with the political efforts that were undertaken by different groups in order to prevent HUD from selling the properties on the open market. The main concern of these groups was the fear that by selling the properties to for-profit owners the properties would either be lost as affordable housing or would go through the next cycle of quick profit taking, disinvestment and deterioration.
This is not an issue specific for the Granite Properties, its is part of the broader issue of HUD-distressed properties, which in its turn is part of the housing crisis as a whole, as has been vizualized in the following scheme.
Like many US-cities the City of Boston has to cope with an affordability gap. The gap between the supply of affordable housing and the size of the population demanding such housing has increasingly widened during the 1980s. Especially because of the growth in Boston's economy rents went up and property values increased, thus reinforcing the pressure on the housing market and affecting the low-income households in particular.
While the City of Boston tries to decrease the affordability gap by a combination of city programs and policies aimed at both rehabilitation and new construction, it faces a threat of losing a part of the so-called HUD-assisted housing stock. About 20,000 units in Boston have been developed under the section 221d3 and section 236 programs and are, in contrast to public housing, owned and managed by their private and non-profit owners.
The two main ways in which these units can potentially be lost as affordable units are the following:

1. Property Disposition

When HUD-assisted housing becomes financially and/or physically distressed, HUD after foreclosure disposes of the properties by

selling them off, usually on the open market, which means that HUD seeks the highest possible bid;


AFFORDABILITY GAP
NEED FOR NEW PRODUCTION
NEED FOR PRESERVATION OF EXISTING HOUSING STOCK
HUD-ASSISTED HOUSING
20,000 DEVELOPED UNDER 221d3 OR 236 PROGRAM
RISK OF LOSS
EXPIRING USE RESTRICTIONS
4,000 DISTRESSED PROPERTIES
1,975 GRANITE PROPERTIES
DISPOSITION
(939 UNITS) GRANITE PROPERTIES BHP II
#5
218 UNITS
FOR-PROFIT DEV.
+ MHFA FINANCING
#2A, 6B; 7, 8, 9, 10, 11B
763 UNITS
7 CDC's (@ BHP)
+MHFA FINANCING
#2B
175 UNITS
2nd PHASE OF 1 CDC (@ BHP)
+MHFA FINANCING
WAITING FOR CONTRACT FOR SALE
#3, 4a
284 UNITS
FOR-PROFIT DEV
NO MHFA FIN.
#1B
30 UNITS
NON-PROF
+
MHFA FIN.
#4B
113 UNITS
FOR-PR.
+
MHFA FIN.
3

2. Expiring Use Restrictions
Use restrictions that require to lease only to low and moderate income households expire after a 20 year period. If the owner by then prepays the mortgages, he/she can change the use of the property and rent the units to other income groups. In addition to the expiring use restrictions of HUD-assisted housing that has been developed under the 221d3 or 236 programs, properties receiving section 8 rental subsidies will be at risk of loss starting in 1990, when the 15-year contracts will expire.

In the beginning of the 1980s 4,000 HUD-assisted units were considered to be distressed; these units were either foreclosed by HUD or were in the so-called 'foreclosure pipeline', which means they are about to be foreclosed by HUD and HUD might already be the MIP. Another _____ units belong to the second category of HUD-assisted housing at risk.
1,975 of the above mentioned 4,000 distressed units belong to the Granite Properties, which HUD planned to sell to the highest bidder, as has been described in the previous section. Of the 11 disposition packages, finally only 763 units, belonging to packages 2A, 6B, 7, 8, 9, 10 and 11B have been sold to non-profit CDC's, which are within the BHP II program. One of the CDC's which divided their development in 2 phases, is still waiting for the contract for sale of package 2B (175 units). Another 30 units are to be sold to a non-profit developer, which is called the Veterans Benefit Clearinghouse and is not involved in the BHP II program.
The first package HUD disposed of, package 5 (218 units), is purchased by a for-profit developer. For these units HUD required MHFA financing. Another for-profit developer purchased 284 units, for which MHFA financing was not required. The remainder 392 units are still boarded up/vacant or occupied while in bad shape and are waiting to be sold, probably all to for-profit developers.

The purpose of this scheme is to show that on the one hand the threat of loss of the Granite Properties was not an issue in itself but part of a much broader issue, while on the other hand the negotiated sale of 938 of the 1,975 units to non-profit CDC's is in contrast with HUD's policy and is therefore an exception. This exception is the result of the political efforts undertaken by initially two groups and by individual members of these groups as well.
1. First CEDAC had formed a working committee in 1983/1984 that was concerned with the future of the 4,000 units of HUD-distressed property in Boston and with the properties with expiring use-restrictions as well. This group was a broad coalition that represented EOCD, Mayor's Office, Neighborhood Development and Employment Agency (now Public Facilities Department), Boston Committee, Greater Boston Legal Services, Massachusetts Law Reform, CEDAC consultants and the Boston Affordable Housing Coalition.

The strength of this committee was probably its political power and its diversity. The mayor of Boston and the secretary of EOCD would send letters to the secretary of HUD, and several senators and congressmen would be approached. It was a diverse committee: the representative of the Boston Committee, who is a real estate broker and member of the VAULT, Greater Boston Real Estate Board, the Boston Compact and is on the board of directors of BHP, would approach his republican contactpersons.

2. The Boston Affordable Housing Coalition, although more or less a member of the above mentioned committee, had its own approach togehter with the Civil Rights movement and two other groups. The BAHC, now HUD-tenant alliance, is a housing advocacy group formed in 1983, that organizes Boston HUD-tenants in order to protect them from displacement and to affect HUD-policy at the national level. The BAHC had been working on many similar issues before and felt that tenant organization was and still is a very important force in preservation of affordable housing. The press is another important tool.

The two things these groups and individuals asked for in the negotiotians with HUD were: 1. put in selection criteria for the future owners and 2. the requirement of MHFA financing. Initially HUD declined to accept this request. They required MHFA financing for the first package they sold, package 5, but were not willing to do that again.

4.2. CDC and BHP project initiation

While the working committee secured a moratorium from HUD on bid sales of all Granite Properties from august 1984 to november 1st 1984, a staff person at CEDAC (together with a staff person at NDEA?) selected potential non-profit purchasers from city and state lists and from personal knowledge of non-profits in the area based on the following criteria:

1. Non-profit status:
   Under HUD Disposition Regulations (Section 290), HUD may recommend a negotiated sale when:
   (i) The purchaser is a non-profit cooperative corporation formed by the present or prospective tenants for the purpose of holding title to the project;
   (ii) The purchaser is a non-profit or limited dividend entity and it is determined by HUD to be the best source of ownership in the locality capable of the succesful long-term operation of the project in a way which is responsive to all the HUD requirements for operation of the project;
   (iii) The project is to be converted to homeownership and individual condominium or homeownership units are to be sold; or
   (iv) The purchaser is a non-profit consumer cooperative corporation with successful experience in the operation of non-profit housing.

(Source: Report to the BHP from CEDAC, february 8, 1985)
The decision was made to seek qualified non-profits instead of establishing cooperatives, for the tenant population was not stable, HUD was planning to dispose of the properties in a short time frame and the resources were not available to establish cooperatives.

2. Community-based:
   It was decided that the non-profits should be community-based and therefore familiar with the property, its residents and their needs. It was felt that such familiarity would assist the purchaser in relocation, management and social service planning, as well as commit them to the long-range viability of the development.
3. Prior housing development activities and no negative trackrecord in owning or managing housing.
4. Foreclosed Granite Properties had to be located in or near the non-profit's target area.

The 8 potential non-profit purchasers that were selected were mailed a list of Granite Property disposition packages 1 to 11 and were invited to a june 28 meeting at CEDAC to discuss their potential interest in purchase. All the 8 CDC's were interested. Also BHP, who was requested to act as an umbrella for the 8 CDC's by the state, through CEDAC, and by at least some of the CDC's as well, indicated to be interested in the Granite Properties as a next phase for the partnership. It was felt that because of the scale and difficulty of the rehabilitation and the political muscle that was anticipated to be needed, the CDC's would have to work in conjuction with BHP. In addition CEDAC decided to provide technical assistance.
The 8 CDC's then identified buildings they wished to purchase, based on the location in their target area and evaluation of its own capacity. The non-profits claimed all of HUD disposition packages #2, #6, #7, #8, #9, #10 and #11, totaling 1,171 units. The BHP representing the 8 CDC's wrote to HUD identifying those buildings in which the CDC's had an interest. HUD then planned to sell disposition packages #1, #3, #4 and #5, which were not identified by the non-profits, on the open market. The CEDAC working committee and the BAHC were able to force HUD to require MHFA financing for only the purchaser of #5.
In november of 1984 BHP sent a request for a negotiated sale of 1,171 units of the Granite Properties to HUD, but it was not until august 1985 that HUD responded by saying to be willing to pursue a negotiated sale to the non-profits as allowed under its section 290 disposition regulations. Because the issue of the Granite Properties became highly politicized, this decision was made at the HUD-headquarters in Washington D.C.
From then on many negotiations took place between HUD and BHP and between HUD and MHFA, which had indicated to be interested to provide construction and permanent financing.
In response to BHP's Request for Proposals (RFP), which was issued in november 1985, the eight pre-qualified CDC's submitted

applications in march of 1986, for which they had received front-money from both city and state. In june of 1986 BHP selected 7 CDC's as participants in the BHP II program. One of the pre-qualified CDC's has finally not been selected, because they would not have the capacity to do part of the Granite Properties in addition to the projects that they were working on by that time. As a result only 938 of the originally 1,171 identified units would become part of the BHP II program. The 7 CDC's subsequently submitted preliminary applications to MHFA for construction and permanent financing and to HUD for subsidies and property disposition approval.
Although by then the BHP II program had really started, it would take many more negotiations before HUD finally decided to sell to non-profits. It was not until august 1988 when the first contract for sale were finally signed. This is one of the main reasons why the CDC's could not start construction in januari/februari 1987, as they originally had planned to do.

5. FUNDING SOURCES

In this section the chart showing the flow of funds will be explained by discussing separate subsections of it. The main characteristics of each flow will be discussed: the nature of the actor as well as the nature of the flow of funds, motives, conditions and risks involved. It is impossible to describe the process of financial packaging in a chronological order, though I will try to describe the subsections in a more or less logical order, starting at the federal level, then the state level and finally the local level.
Whenever it is thought to be useful to give an example of one of the 7 CDC's or when certain information is not available for all of the CDC's, Lena Park CDC will serve as an example.

5.1. BHP II LP and the CDC LP's

* The Boston Housing Partnership
The BHP is a non-profit organization incorporated in 1983 and founded on two basic principals (BHP 1989):
1. it is an action-oriented agency dedicated to ambitious, concrete programs which deliver low- and moderate income housing;
2. its programs are strongly community-based.
The BHP evolved from discussions during 1982 among public officials, private businessleaders and representatives of neighborhood organizations who were involved in Goals for Boston. This group, which was called together by the chairman and president of State Street Bank, was concerned about the shortage of decent and affordable rental housing in Boston in the face of escalating demand.
The strength of the BHP is that it convenes in one body major public and private actors affecting housing, which is effective in aggregating limited financing sources. BHP represents an institutionalization of joint political and financial muscle (?).
BHP II refers to the second program of BHP, which has the following goals:
1. to protect present legal tenants of Granite Properties from the threat of displacement;
2. to bring the buildings up to code with the least possible disruption to tenants;
3. to insure good management over the years by providing a managment budget adequate to meet the property's needs;
4. to insure the property's long term use as low and moderate income housing by placing it under the control of local, non-profit community development corporations (CDC's);
5. to augment the capacity and resources of CDC's through their participation in the development and ownership of affordable housing.

* The CDC's

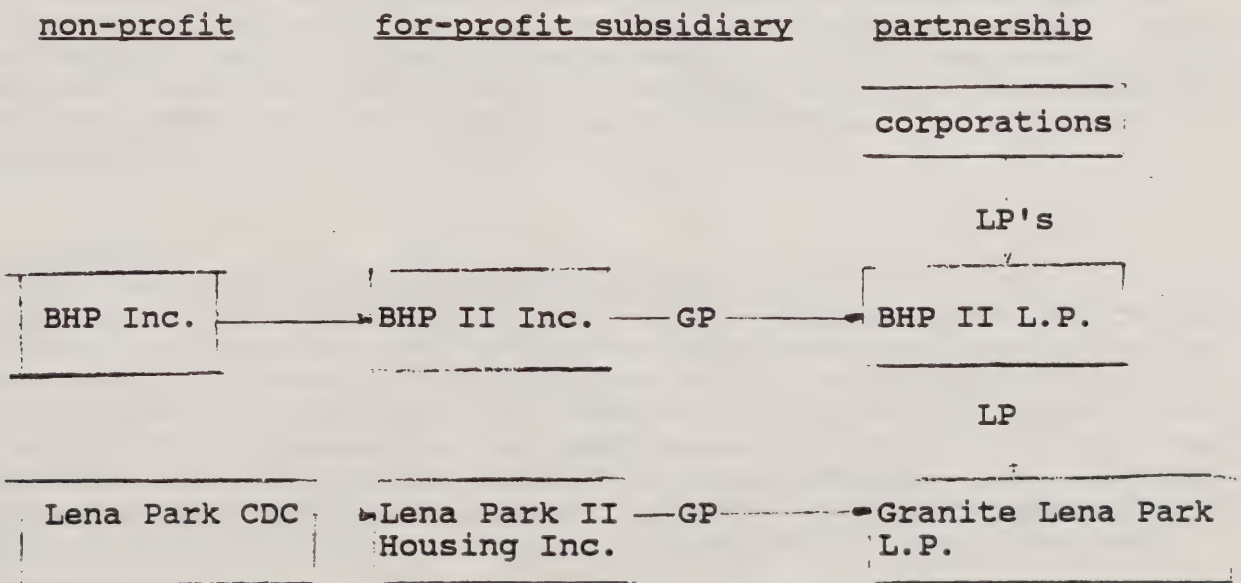
The 7 CDC's involved in the BHP II program are:

Name	Granite Package	# units	founded
Codman Square CDC	2A + 2B	151 +175	1981
Dorchester Bay EDC	9	134	1979
Fields Corner CDC	8	67	1980
Lena Park CDC	7	143	1968/1983
Nuestra Comunidad DC	10	97	198?
Quincy-Geneva HDC	11B	94	1983
Urban Edge	6B	65	1974

The CDC's have been founded at different points of time, but most of them trace their roots to some kind of neighborhood organization that existed before the CDC was founded. They all have some kind of neighborhood representation on their boards. Lena Park CDC is different in the sense that the housing development division is created in 1983, while Lena Park CDC as a whole is a human services agency, that was founded in 1968. Six out of 7 CDC's have participated in the BHP I program and 3 out of 7 do economic development in addition to housing development.

* The partnership structure

A two-tier partnership has been formed, comprising BHP II Limited Partnership at the upper tier and 7 operating limited partnerships, the "Local Partnerships" at the lower tier. BHP inc. set up a wholly-owned for-profit subsidiary, which is called BHP II Inc. BHP II Inc. is the general partner in BHP II L.P.; the limited partners are the 12 corporations which invest in BHP II L.P. as equity investors (see section 5.6.). Similarly each CDC set up a wholly-owned for-profit subsidiary, which is the general partner in the CDC's local partnership. The sole limited partner in the local partnerships is BHP II Limited Partner.



This partnership structure has been set up for three main purposes:
1. Investments:
By purchasing limited partnership interests investors have the opportunity to provide equity, while having limited responsibility as well as limited liability;
2. Limited liability for the CDC's:
By setting up a wholly-woned subsidiary for one specific project, the liability of the CDC as general partner is limited to only this project. Thus eventual financial problems will not affect the CDC as a whole and jeopardize other projects a CDC is working on;
3. Tax-benefits:
The partnership itself does not pay federal income taxes, but the limited partners can utilize tax-credits and losses for a tax-return on their own corporate income tax, whereas the CDC's as the general partners cannot utilize these tax-benefits.

While the limited partners have limited control and limited liability, the general partner is fully responsible for managing the property and for any and all liabilities of the partnership. BHP has regulatory-, partnership-, reserve use- and collateral fund agreements with each of the CDC's. In the regulatory agreements standards and conditions under which the local limited partnerships (LLP's) have been specified. Only in case of active gross negligence, like defaulting on the mortgage, BHP will be allowed to replace the local general partner, as has been specified in the partnership agreements.
The syndication proceeds will be discussed in section 5.6.

* Greater Boston Community Development Corporation
GBCD, now called the Community Builders, works with BHP and the CDC's in different capacities. First GBCD is a consultant to BHP, which means that GBCD assists in the overall planning, structuring and management of the development program and the syndication. Second, GBCD also serves as development consultant for four of the projects and as management agent for one of the projects. GBCD is a charitable, non-profit corporation formed in 1965 and known for its experience and expertise in financial packaging.

5.2. HUD 2
Through the Property Disposition Program under the 290 regulations HUD finally sold part of the Granite packages to the 7 CDC's. Although on the contracts for sale a purchase price is mentioned, for example the purchase price for package #7, which is purchased by Lena Park CDC, amounts $ 10,104,150, this price is a deferred purchase price. That means that the price will be forginven after 30 years, under the condition that the CDC's do not sell the property during the 30 years after conveyance. Thus in fact HUD donated the properties, while requiring the

purchasers to:
- provide a firm commitment for repair financing from the MHFA;
- provide a copy of the final sources and uses statement for the syndication proceeds.

In addition to the property disposition HUD provides section 8 rentsubsidies for all the units at a 144% of Fair Market Rents (FMR) on the ground of a Housing Assistance Payments Contract (HAP). These section 8 rentsubsidies come from the Property Disposition pool, a special source of section 8 subsidies, which can be used for only HUD-foreclosed property.
The 144% of FMR has been set for a 15 year period. During that period the property has a use-restriction, which says that the property has to be maintained as housing for low- and moderate-income households. During a period of 30 years the property has to be maintained as rental or cooperative housing.
The section 8 rentsubsidies at a 144% of FMR is an exceptional deep subsidy, it is the highest HUD can go. Comparatively for packages #3 and #4a, which are being rehabilitated by a for-profit developer, HUD did only allocate 96% of FMR and for Franklin Park I & II, which is another HUD-foreclosed property, which HUD recently planned to auction, HUD only offered a 90% of FMR. The 144% of FMR for BHP II packages became just as the property disposition itself very politicized. MHFA played an important role in achieving these rentlevels. Because MHFA-financing was mandatory, MHFA could require a high level of FMR. Another exception is that all the households, that were residing in the property before the property dispostion, are made eligible for section 8 subsidies in order to prevent the so-called over-income tenats, which comprise about 8% of the tenant population, from being displaced.
Thus during a 15-year period HUD pays the difference between the portion of the rents the tenants pay, which is 30% of their income, and the 144% of FMR. Upon property conveyance only 100% of FMR is provided and only for the units that meet section 8 Housing Quality Standards (HQS). Therefore the CDC's had to do some initial repair before starting with the actual rehabilitation in order to receive the 100% of FMR. As units are renovated and certified by HUD and MHFA as meeting approvaed program drawings and specifications, section 8 subsidies will increase to 144% of FMR.

Table __: Old and new rents

Size of unit	Lena Park	144% FMR	Average old FMR (for all BHP II packages)
0 Bedroom	(#=0)	N.A.	$ 170.-
1 Bedroom	(#=39)	$ 900.-	$ 200.-
2 Bedroom	(#=84)	$1,062.-	$ 230.-
3 Bedroom	(#=17)	$1,328.-	$ 260.-
4 Bedroom	(#=3)	$1,485.-	$ 280,-
5 Bedroom	(#=0)	N.A.	$ 310,-

Since the median household income for the residents in the Lena Park units is estimated at $ 9,524,- for a 2 bedroom unit the households portion of the rent will be $ 2,857.-, while HUD will fill the yearly gap of $ 9,987.-

Under the HUD 221d4 co-insurance program HUD insures the holders of MHFA bonds against loss in the event that the CDC's fail to make the mortgage payments, which pay back the bondholders (see also section 5.4.). MHFA is the first housing finance agency in the country approved by the federal government for participation in this co-insurance program. HUD's insurance is limited to 85% of the value of the bonds, while MHFA backs the other 15%. Because HUD helps to insure the mortgages, MHFA has had to incorporate certain requirement from HUD into its applications= forms and procedures for section 221d4 co-insured projects. Section 221d4 regulations prohibite using mortgage funds for certain development costs. Therefore the CDC's have to split development costs into mortgagable and non-mortgagable items.

5.3. Tenants

All tenants residing in the property before the property conveyance will be eligible for section 8 rentsubsidies.
In 1985 many tenant were paying less than 25% of their income in rent. As table __ shows the FMR then ranged from $ 170.- for a 0-bedroom apartment to $ 310.- for a 5-bedroom apartment.
According to BHP however in 1985 the portion of rent paid by tenants averaged $ 129.- per month or $ 1,548 per unit per year. The average rental income of $ 1,548 per unit per year the tenants were generating was much less than the $ 4,300 per unit per year, which HUD spent in fiscal year 1984, without debt service, taxes, insurance or replacement services.
Therefore HUD-headquarters approved a request from the HUD regional office to allow provision of section 8 subsidies at 100% of FMR to all units meeting HQS upon conveyance.

5.4. The Massachusetts Housing and Financing Agency

The MHFA is a self-supporting state agency founded in 1966, that stimulates the construction of mixed-income rental housing, assist in the preservation of existing housing stock, and provide home-ownership opportunities for low- and moderate income households through various loan programs. The agency has the power to issue both tax-exempt and taxable bonds, though there is a cap on the amount of tax-exempt bonds MHFA is allowed to issue, which is set by the state's Executive Office of Administration and Finance. MHFA has a strong double-A bondrating, which is seperate from the state's bondrating.
The bonds that have been issued for the Granite Properties BHP II are Multi-Family Residential Housing Revenue Bonds. A total amount of $ 54,900,000 issued in bonds results in $ 47,359,200 in mortgages, in which the second phase of Codman Square is not included. The mortgages represent both construction- and permanent financing, which extends over a period of 30 years. During construction the CDC's have to provide a letter-of-credit of 6% of the mortgages, which after construction will decrease to 4% of the mortgages (for 3 or 4 year?) or they have to provide the equal amount in cash, which than will be kept in an escrow account. Since the CDC's were not able to meet these escrow-requiremtns, BHP on behalf of the CDC's applied for linkage funds.

5.5. The Executive Office of Communities and Development

1. Low-Income Housing Tax-Credit
Since the Tax Reform Act of 1986 the new Low-Income Housing Tax Credit is the key tax benefit available to stimulate the production or preservation of low-income housing.
(more in next version of paper)

2. Front-Money Loans
Through MHP and CEDAC EOCD provides front-money loans to all the CDC's. CEDAC is a state-agency, or quasi-public corporation, that makes loans without interest and provides technical assistance to community-based non-profit organizations. These loans come from a $3.5 mln loan fund provided to CEDAC by the Massachusetts Housing Partnership. The loans are high-risk loans: CEDAC gets repaid only if the projects succeed in closing on construction financing.
For the Granite Properties BHP II $ 213,000 in loans has been provided for a total front-money budget of $ 1.9 mln. In addition for Codman Square's second phase another $ 66,410 has been committed.

3. Housing Abandonment Grants
About $ 220,000 has been allocated to BHP as grants on the ground of the Housing Abandonment Program and have been used as front-money. Another $ 160,000 in grants flowed to the CDC's at a later

point in time.

4. Weatherization Grants
A total of $ 1,000,000 in weatherization grants is made available for the Granite Properties BHP II under the Community Development Weatherization Assistance Program (WAP). These grants will not be contributed until completion, inspection and proved income eligibility. The WAP, which is operated by subgrantee agencies, can contribute up to $ 1,600, rarely up to $ 2,000, per unit in rental buildings, for energy conservation improvements. Only units, which are occupied by low-income households, whose gross income does not exceed 150% of the federal poverty level, are eligible.
In addition Boston Gas contributed $ 500,000 in grants for weatherization expenditures under its Lafut program (Louisiana First Use Tax Program).

5.6. Syndication
16 investment-units totalling $ 16,000,000 have been sold to 12 corporations (banks). In addition to the internal rate of return of their investment, the corporations receive tax-credits and tax-deductions. Tax-credits are a dollar-for-dollar credit against the tax owed in certain instances. Tax-deductions are deductions from income before the tax is imposed. Corporations are allowed to deduct depreciation of real estate (losses) from income.
Apart from these tax-benefits, one of the motivations for banks to invest in the BHP II L.P. is that it is a way to meet the obligation of the Community Reinvestment Act (CRA).
Equity investments of the banks are made in two installments.

5.7. City of Boston Public Facilities Department and Linkage
1. $ 84,500 grant (front money);
2. $ 415,500 loan (front money);
3. $ 500,000 LEND-loan (loan to encourage neighborhood development), funded by the federal CDBG, deposited in Shawmut Collateral Fund Account along with the $ 450,000 from the BRA;
4. BUILD-loan I: loan used as MHFA letter of credit to meet the escrow requirements, to be repaid from 125 High linkage payments and supplemental linkage payments from the Heritage;
5. BUILD-loan II: bridge-loan against second installment of syndication.

5.8. Local Initiatives Support Corporation
A loan of $ 50,000 has been provided by LISC for front-money expenses. This loan has been recycled (the repayments of the early projects have been used again for later projects) so that actually a total amount of $ 82,500 has been used.

6. MAIN CHARACTERISTICS

A. Complexity

The main characteristic of a financial package like this is probably its complexity. What makes it so complex?

1. Multiple sources have been allocated by multiple actors. None of them can or will provide one sole funding source that covers all the project costs. For the public sector regulations or program requirements limit the amount of funding to be allocated for each individual project, so that the limited resources available will be shared by many different projects and will leverage private money in each of them. The private sector entities wish to provide limited sources in order to limit their own corporate's risks as well as to share the risks with other corporations.
2. The CDC's or BHP on behalf of the CDC's have to negotiate, write proposals, write requests, fill in application forms etc. in which they have to explain in what way this project meets the requirements, criteria of a certain funding program;
3. BHP together with GBCD has to interest syndicators and therefore has to write an offering memorandum, in which to explain the risks and benefits involved in syndication;
4. Since not all the funding commitments will result in flow of funds at once, the CDC's and BHP have to arrange ways to get the money up-front (BUILD loans);
5. BHP and the CDC's have to draw agreements to define their relation to another and to determine in what way funding allocated to BHP for BHP II flows to the CDC's;
6. Behind this BHP-CDC's scene, different actors have in their turn to make efforts to receive funding from other sources, from the secondary market, before they can allocate funding to the project themselves. Therefore they have to do similar things: write proposals (BRA: Housing Creation Proposal fro 125 High street), get the authority to issue bonds (MHFA), market the bonds with the help of underwriters (MHFA), get the authority to provide tax-credits (EOCD), request Letter Of Credits (PFD from Shawmut), negotiate and draw agreements (negotiations among PFD, BRA, Heritage, 125 High, BHP, NHT and Shawmut, resulting in a Collateral Fund Agreement).

These processes behind the flow of funds lead to:

1. multiple activities, many of which have only an indirect relation to the rehabilitation project. The work that is done behind the BHP-CDC's scene is extensive;
2. visible cost increases:
   - since every actor needs lawyers in order to draw legal documents or to explain legal documents drawn by others, legal expenditures are high (BHP had a legal fees cost overrrun of $ 100,000);
   - Shawmut receives a fee for providing a letter of credit (for BUILD-loan I $ 160,000) and a banking fee for providing a collateral loan;

- GBCD receives syndication fees, consulting fees etc.;
- underwriters for MHFA bonds receive an underwriters fee;
- interest has to be paid for various loans, though some are no-interest loans;

3. invisible cost increases:
   1. BHP and the CDC's have to operate out of the funds generated and receive some additional funds (not specific for BHP II) as well;
   2. Some other actors (MHFA, LISC) have to operate out of funds they generate;
   3. Others (HUD, EOCD, PFD, BRA) have to operate out of a general budget and thus in fact donate their time.
   The majority of these operating costs do not form part of the development costs and are hard to quantify. But especially staff members at HUD and PFD donated much of their time. Thus the boxes in the chart are either filters that absorb some of the flowing funds or are being operated out of another (hidden) budget;
4. chain relations: due to relations in which tasks or funds are being transferred from one actor to the other and sometimes to a third actor, it sometimes is confusing to know who should deal with who. To give two examples:
   * EOCD approves ABCD as subgrantee to allocate weatherization grants to the CDC's. In order to change the initial allocation schedule (redistribution among the CDC's) BHP had to deal directly with EOCD;
   * Two ends of two different chains start interacting when Shawmut requests a letter-of-credit from 125 High in order to back its own letter-of-credit that backs the BUILD-loan I;
5. alienation:
   - the actors outside BHP and the CDC's usually have a limited scope, limited to their own involvement and therefore they do not see the package as a whole;
   - according to a Lena Park tenant the tenants have never had any say in the financing or the development itself. But even if the tenants would had have access to this process, it generally is very difficult to understand the terms and language spoken among the actors if one is not familiar with it.
   The tenants of 2 Lena Park buildings however have createdsome security for themselves by going to court in order to get the building under rent-control.

B. Ad-hoc policy

The process that results in the financial package shown on the chart, is based on exceptions and flexibility within various, sometimes conflicting policies. And in addition policies tend to change oftenly.

1. Conflicting public policy:
   In contrast to city and state, both of which are committed to preservation of the affordable housing stock, HUD has a policy

of selling foreclosed properties off to the highest possible bidder. However, although there is a lack of a national housing policy and the federal budget for housing has almost dried up, the financial involvement of HUD in the Granite Properties BHP II project is extensive;

2. Exceptions:
   Many exceptions were made for the BHP II project:
   1. HUD finally agreed to sell 938 units to non-profits;
   2. prior to that and partly because of the negotiated sale process, HUD had to do some repairs itself which amount to $18-20 mln.;
   3. HUD provides section 8 rentsubsidies at 100% of FMR upon conveyance for units meeting HQS;
   4. HUD provides section 8 rentsubsidies at 144% of FMR upon MHFA- and HUD-approved completion of the rehabilitation;
   5. the BHP II project receives 2 linkage sources as loans and a relatively large amount of city loans and grants as well;
   6. BHP is in a comparatively strong position because of an institutionalization of both public- and private sector co-operation and because of the credibility she has achieved in the past. Especially for risky projects as the Granite Properties it is an advantage to have direct access to both private businesses for syndication and to the public sector for loans and grants;
3. Changing policy:
   Both BHP and the CDC's have to be very adaptive to changes in policy:
   1. in comparison to BHP I nowadays the city of Boston (mainly PFD) provides financing more in loans and less in grants, so that the funds can be used again for other projects (recycling). While for BHP I PFD committed $ 4,500,000 in grants and $ 4,475,000 in loans, for BHP II $ 84,500 in grants and $ 5,915,500 in loans are committed. Though a small part of the loans for BHP II have been unsecured and will come due upon sale or refinance;
   2. with the Tax Reform Act of 1986 syndication was no longer attractive for wealthy individuals, but became more attractive for corporations. As a result the target group for syndication in BHP II is different from the one in BHP I;
4. Flexibility:
   The institutionalization of public- and private sector co-operation within BHP helps as a BHP-spokesman says "to break through the bureaucracy". When something needs to be done quickly, members on the board of directors can respond within a shorter time-frame. To describe two examples:
   1. The way linkage funds have been allocated deviate from the standard way: first the city did seek a linkage source that was by then not available yet and asked the downtown developer to start paying linkage payments earlier and second the city speeded the procedure up;
   2. Because of the cost overruns PFD unsecured part of the

loans which will now come due upon sale or refinance;

5. Hidden policy:
   The private investments are based on economic incentives in the form of tax benefits. By investing in BHP II L.P. as well as by buying MHFA bonds, corporations and individuals are charged less federal income tax. That makes the Internal Revenue Code into a significant, some say the most significant, federal "housing legislation" (Nolon and Smith 1983).
   There are no funds flowing from the federal income tax to the project, but there are less taxes flowing to the federal income tax. Since this kind of "subsidy" is invisible, it is also described as the "invisible hand".
   One can question the tax-benefits are in proportion to the private investments that are generally being made.

Since rehabilitation of affordable housing is subject to the described ad-hoc policy, it is very unlikely that a financial package can ever be used again. Some funds may be constant, like MHFA-financing, but generally the availability of most of the funds is subject to change.
Because of the uncertainties there is a lack of planning. For a new project one has to start all over again and see what pieces can be find that finally fits together.

C. Critical need for activities beyond housing

As one can see on chart __ many activities are being undertaken that go beyond housing.
The Inner City Task Force was convened by MHFA in 1986 to bring together EOCD, HUD, Boston Police Department, Mayor's Office, BAHC, Tenants, BHP, CDC's, private housing developers, Greater Boston Legal Services, management agents, clergy, medical/social agnecies and many others. In monthly meetings many issues are being discussed, but mainly crime and drugs-issues.
In addition MHFA has a security program, for which they hire a private security force which has special police powers. The costs involved are very substantial (exact amount is confidential) and is temporary financed out of MHFA's reserve.
Generally it is felt that in addition to housing rehabilitation something needs to be done about drugs- and crime problems in the neighborhood in order to make the neighborhood into a viable and safe living environment.
TAP (MHFA) and the RRI (BHP) are more focused upon tenant assistance in drugs- and alcohol abuse and tenant empowerment.

The different initiatives will be discussed in the final paper, but for this paper it is impotant to realize that there are many costs behind the already very costly housing rehabilitation, which are critically needed in order to make the development successful. For the costs behind housing other funds are being generated or reserves are made available.

Initiation / Task

Participation	MHFA	Police MHFA	BHP	CDC's	Tenants	MHFA	BHP	CDC's	MHFA	MAN	MAN
MHFA	ICTF	Security Program	Security Meetings			TAP			Employment		Evictions
BHP	ICTF		Security Meetings				RRI				Evictions
CDC's	ICTF		Security Meetings	Crime Watch		TAP	RR Specialists	Soc. Serv's ?			Evictions
MANAGEMENT	ICTF		Security Meetings			TAP			Tenant Selection		Evictions
TENANTS	ICTF			Crime Watch	Building Tenants Group ?	TAP					Evictions
POLICE	ICTF	Security Program	Security Meetings	Crime Watch							Evictions
SECURITY FORCE	ICTF	Security Program	Security Meetings	Crime Watch							Evictions

ICTF = INNER CITY TASK FORCE
TAP = TENANTS ASSISTANCE PROGRAM
RRI = RESIDENT RESOURCE INITIATIVE

D. Delay

In its request for a negotiated sale, BHP proposed to execute the agreements for sale in May 1985. As has been mentioned earlier it was not until August 1988 that the first contract for sale was signed. As a result the whole development process has been delayed and because of rising costs for contractors, materials etc. MHFA-financing had to be reprocessed and the CDC's had to draw on their contingencies. One of the CDC's had to find additional funding which then has been provided by PFD (bridge loan) and LISC.
This delay is not the only delay that increases the costs. As is described in Boston Housing: Dynamics, Trends and Outlook (Clay 1989): "(...) the cost of the final solution was much higher than if the restructuring had occured when the problems first became known." (p.47)

E. Scale

By aggregating funding sources and political muscle, BHP tries to provide a large schale answer to a large scale problem. Rehabilitation and preservation of 938 units, however, is still, especially in comparison to the need, a small or medium-sized project. If these extensive efforts are needed for 938 units, will it ever be possible to do a more large-scale project? And in addition the BHP II project was set up in a relatively good time, a time of growth. Now the state is in a fiscal crisis and the Boston economy shows a slow-down, it is the question what can be done in the future.

F. Long-term affordability

15 years after the rehabilitation the use-restriction that says that the buildings have to be used as low- and moderate income housing will expire. If at the same time the partnerships will be dissolved, which is likely because after a 15 year period the tax-credits will have been used up, the CDC's will have the first right to buy the properties. Without adequate rentsubsidies however they will not be able to maintain the property properly. Thus the risk of loss of affordable housing repeats itself every 15 year and there is no security that the property will be maintained as affordable and safe housing in the longer run.

KEY

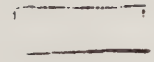
Flow of funds or authority to make funds available;

Security;

Agreement providing basis for flow of funds;

Repayment;

Changed repayment schedule (defered repayment, increase in loan and/or unsecured loan);


Actor;

Account;

Reserve.

Explanations of abbreviatons

ACTORS

BHP II LP	: BHP II LP is Boston Housing Partnership II Limited Partnership of which BHP II Housing Inc. is the general partner, which in its turn is a wholy-owned for-profit subsidiary formed by BHP. BHP II refers to the second program of the BHP, which is the Granite Properties BHP II;
CDC LP's	: The 8 Community Development Corporations' Limited Partnerships, in which the wholy-owned for-profit subsidiaries which are formed by the 7 CDC's are the general partner and the BHP II LP is the sole limited partner;
HUD	: United States Department of Housing and Urban Development. The distinction between HUD1 and HUD2 is only made in order to structure the chart as clear as possible. HUD1 represents the central provider of CDBG's, while HUD2 represents the local HUD property disposition branch;
Shawmut	: Shawmut Bank of Boston NA.;
PFD	: City of Boston Public Facilities Department; PFD1 and PFD2 are the same legal entity, but PFD1 provides front-money and PFD2 provides construction-related financing;
BRA	: Boston Redevelopment Authority;
125 High/ Heritage	: Two downtown developments whose developers are contributing linkage payments;
NHT	: Neighborhood Housing Trust;
LISC	: Local Initiatives Support Corporation;
MHFA	: Massachusetts Housing and Finance Agency;
ABCD	: Action for Boston Community Development;
EOCD	: Executive Office of Communities and Development; EOCD1 and EOCD2 is the same legal entity; EOCD1 provides front-money and EOCD2 other sorts of financing;
MHP	: Massachusetts Housing Partnership;

CEDAC : Massachusetts Community Economic Development Assistance Corporation;

Ex. Off. of A&F: Executive Office of Administration and Finance.

FLOWS

CDBG : Community Development Block Grant;

LOC : Letter Of Credit;

LEND : Loans to Encourage Neighborhood Development;

BUILD : A CDBG-financed construction and bridge financing program;

DIP : Development Impact Agreement;

HCA : Housing Creation Agreement;

LDA : Land Disposition Agreement;

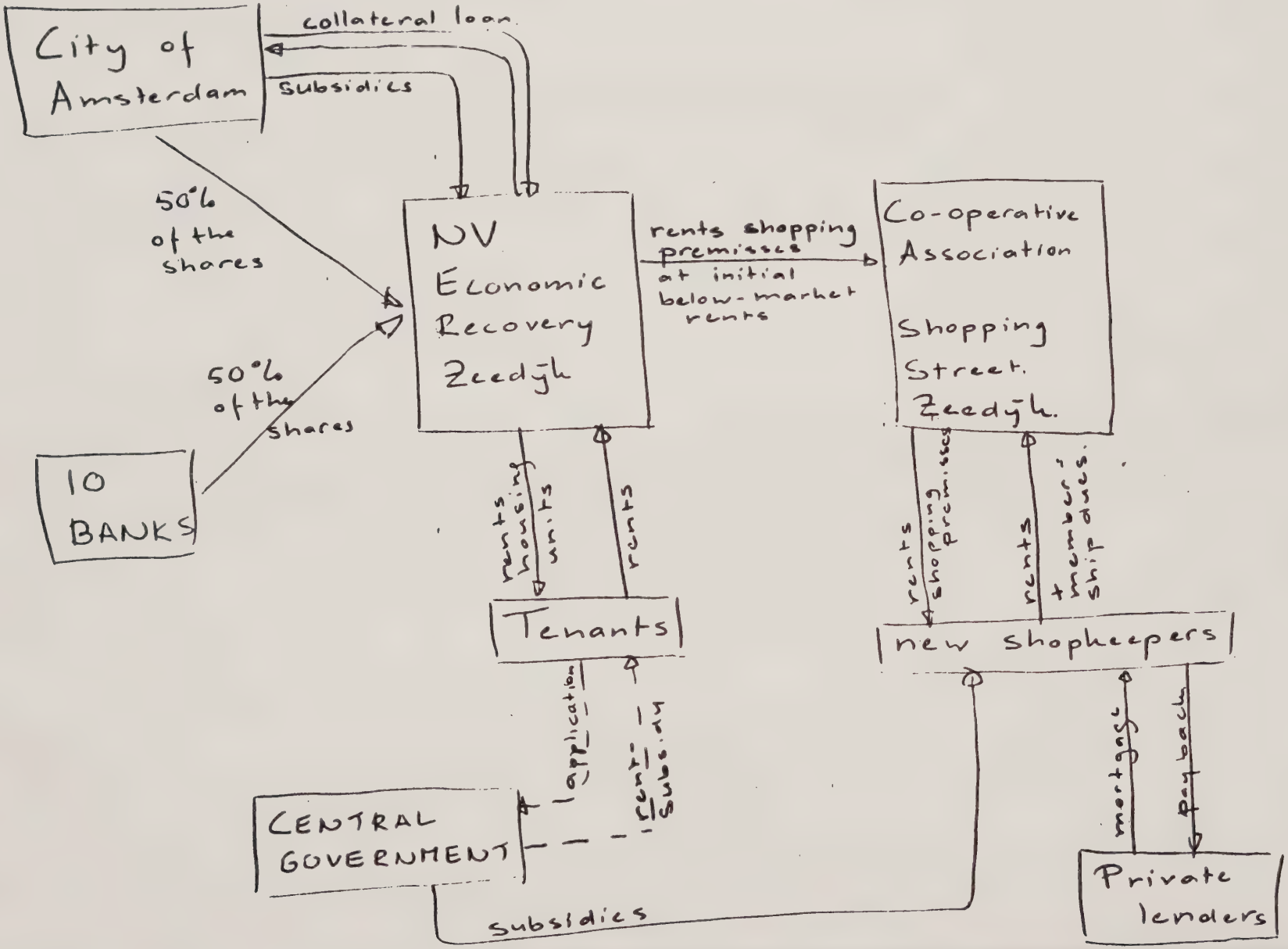
Sect. 8 Subs's 144% FMR : Section 8 rent subsidies for 144% of Fair Market Rents;

Boston Gas Lafut program: Boston Gas Louisiana First Use Tax Program;

WAP : Weatherization Assistance Program;

EquityI/II: refers to first and second installments of equity investments.

FINANCING


City of Amsterdam
collateral loan
Subsidies
50% of the shares
50% of the shares
10 BANKS
NV Economic Recovery Zeedijk
rents shopping premisses at initial below-market rents
Co-operative Association Shopping Street Zeedijk.
rents housing units
rents
rents shopping premisses
rents
membership dues
Tenants
new shopkeepers
application
rent-subsidy
CENTRAL GOVERNMENT
mortgage
Payback
Private lenders
subsidies